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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Dragonfly Capital Partners, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1310 S. Tryon St., Suite 109

Charlotte

(No. and Street)

NC

28203

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Don W. Millen, Jr.

704-342-3491

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Vance Flouhouse &amp; Garges, PLLC

(Name - If individual, state last, first, middle name)

2115 Rexford Road, Suite 100

Charlotte

NC

28211

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 29 2006

THOMSON  
FINANCIAL**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

### OATH OR AFFIRMATION

I, Gary K. Flouhouse, CPA for Vance Flouhouse & Garges, PLLC, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dragonfly Capital Partners, LLC, as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

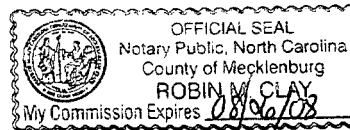
No exceptions noted.

Gary K. Flouhouse  
Signature

CPA

Title

Robin M. Clay  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



VANCE FLOUHOUSE & GARGES, PLLC  
Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Dragonfly Capital Partners, LLC  
Charlotte, North Carolina

We have audited the accompanying balance sheets of Dragonfly Capital Partners, LLC as of December 31, 2005 and 2004 and the related statements of operations, member equity, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dragonfly Capital Partners, LLC at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our examination was made primarily for the purpose of forming an opinion on the basic financial statements (pages 4 through 7). The additional supplemental data for the years ended December 31, 2005 and 2004, has been subjected to the audit procedures applied in the examinations of the basic financial statements and, in our opinion, presents fairly in all material respects the information shown therein.

*Vance Flouhouse & Garges PLLC*

Charlotte, North Carolina  
January 31, 2006

DRAGONFLY CAPITAL PARTNERS, LLC

BALANCE SHEETS

December 31,

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 7,848	\$ 23,188
Prepaid expenses	<u>-</u>	<u>1,500</u>
Total assets	<u>\$ 7,848</u>	<u>\$ 24,688</u>
LIABILITIES AND MEMBER EQUITY		
Accounts payable	<u>\$ -</u>	<u>\$ 13,334</u>
Total liabilities	-	13,334
Member equity	<u>7,848</u>	<u>11,354</u>
Total liabilities and member equity	<u>\$ 7,848</u>	<u>\$ 24,688</u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC

STATEMENTS OF OPERATIONS

For the years ended December 31,

	<u>2005</u>	<u>2004</u>
Fee income	\$ 176,375	\$ 1,273,850
Interest income	<u>176</u>	<u>25</u>
	176,551	1,273,875
Commissions	167,156	1,256,549
Licenses and permits	3,843	5,000
Rent	4,800	3,600
Utilities	1,200	900
Professional fees	2,490	3,200
Other operating expenses	<u>568</u>	<u>684</u>
	<u>180,057</u>	<u>1,269,933</u>
Net income (loss)	<u><u>\$ (3,506)</u></u>	<u><u>\$ 3,942</u></u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC  
STATEMENTS OF CHANGES IN MEMBER EQUITY

For the years ended December 31,

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	\$ 11,354	\$ 7,412
Net income (loss)	(3,506)	3,942
Balance at end of year	<u>\$ 7,848</u>	<u>\$ 11,354</u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (3,506)	\$ 3,942
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Prepaid expenses	1,500	(1,500)
Increase (decrease) in:		
Accounts payable	<u>(13,334)</u>	<u>13,334</u>
Net cash provided by (used in) operating activities	<u>(15,340)</u>	<u>15,776</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,340)	15,776
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>23,188</u>	<u>7,412</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 7,848</u></u>	<u><u>\$ 23,188</u></u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

December, 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Dragonfly Capital Partners, LLC, a North Carolina partnership, was formed in November, 2002. The company is a merchant-banking firm headquartered in Charlotte, NC, serving small and middle-market companies in the southeastern United States. The company offers unbiased advice and assistance to clients regarding private capital placements, mergers and acquisitions, and other financial assignments.

At December 31, 2005, Dragonfly Capital Partners, LLC was a member in good standing with the Security Investor Protection Corporation (SIPC).

Cash And Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes

The Company is a limited liability company in which all elements of income and deductions are included in the tax return of the member of the Company. Therefore, no income tax provision is recorded by the Company.



SUPPLEMENTAL INFORMATION

# DRAGONFLY CAPITAL PARTNERS, LLC

## COMPUTATION OF NET CAPITAL

December 31,

	2005	2004
COMPUTATION OF NET CAPITAL		
Total ownership equity from statement of financial condition	\$ 7,848	\$ 11,354
Deduct ownership equity not allowable for net capital	-	-
Total ownership equity qualified for net capital	7,848	11,354
Liabilities subordinated to claims of general creditors	-	-
Total nonallowable assets (Central Registration Depository and Prepaids)	158	1,720
Net capital	<u>\$ 7,690</u>	<u>\$ 9,634</u>

## COMPUTATION OF NET CAPITAL REQUIREMENT

(A) Minimum net capital requirement (6 2/3% of total aggregate indebtedness)	\$ -	\$ 888
(B) Minimum dollar net capital requirement of reporting broker dealer and minimum net capital requirements of subsidiaries	5,000	5,000
Net capital requirement (greater of A or B above)	5,000	5,000
Excess net capital	2,690	4,634
Excess net capital at 1000% (Net capital less 10% of total aggregate indebtedness)	<u>\$ 7,690</u>	<u>\$ 8,301</u>

## COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness (Accounts payable)	-	13,334
Percentage of aggregate indebtedness to net capital	0.00%	138.41%

See notes to financial statements

Dragonfly Capital Partners, LLC

CRD #125199

FYE 12/31/05

Oath/Affirmation of Truthfulness

Dragonfly Capital Partners, LLC ("DFCP") is a \$5,000 net capital member broker/dealer under SEC Rule 15c3-1(a)(2)(vi).

The Financial Statements and computations of Net Capital for the period ending December 31, 2005 included herein are prepared according to General Accepted Accounting Procedures ("GAAP") and are true and correct.

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Don W. Millen, Jr.  
President

Dragonfly Capital Partners, LLC

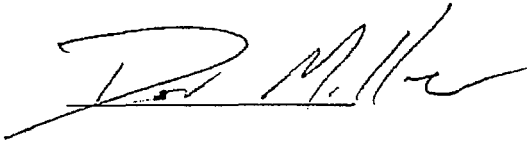
CRD #125199

FYE 12/31/05

SEC Rule 17a-5(d)(4) – Reconciliation Statement

Dragonfly Capital Partners, LLC (“DFCP”) is a \$5,000 net capital member broker/dealer under SEC Rule 15c3-1(a)(2)(vi).

No material differences exist between the DFCP’s audited Net Capital computation under SEC Rule 15c3-1 and its Focus IIA quarterly filing under 17a-5(a).

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Don W. Millen, Jr.  
President

Dragonfly Capital Partners, LLC

CRD #125199

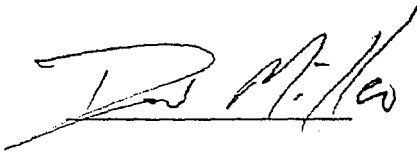
FYE 12/31/05

SEC Rule 15c3-3 Reserve Requirement

Dragonfly Capital Partners, LLC ("DFCP") is a \$5,000 net capital member broker/dealer under SEC Rule 15c3-1(a)(2)(vi).

DFCP does not hold customer funds or safe keep customer securities and operates pursuant to SEC Rule 15c3-3(k)(2)(i).

DFCP is thus exempt from the reserve requirements under SEC Rule 15c3-3.

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Don W. Millen, Jr.  
President



VANCE FLOUHOUSE & GARGES, PLLC

Certified Public Accountants and Consultants

Dragonfly Capital Partners, LLC

CRD #125199

SEC 8-65772

FYE 12/31/05

SEC Rule Section 240.17a-5(j) – Accountant's Report on Material Inadequacies

Under SEC Rule 17a-5(j) and 17a-5(g), no material inadequacies were found to exist at Dragonfly Capital Partners, LLC ("DFCP") as the result of our audit for the year ended December 31, 2005.

As stated in our Independent Auditor's Report, the financial statements of DFCP including the computation of aggregate indebtedness and net capital under 17a-3(a)(11) were presented in accordance with generally accepted accounting principles.  
SEC Rule 17a-5(g)(1)(i).

No securities were held by DFCP at December 31, 2005 and DFCP was in compliance with SEC Rule 17a-5(g)(1)(ii), (iii) and (iv)

*Vance Flouhouse & Garges PLLC*

Charlotte, North Carolina  
January 31, 2006